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SOURCE Chemische Industrie, No 4, 1949.THE CHEMICAL INDUSTRY IN SOVIET ZONE GERMANY

About 80 percent of the chemical industry in Soviet Zone Germany was expropriated. Its complete reorganization has had not only far-reaching organizational results, but also results which affect production. They show clearly the extent to which the vacillating policy of the occupying power has torn the German chemical industry to pieces.

The clearest indication of how the Soviet Union is applying her own economic principles in her zone of occupation is the introduction of an omnipotent planned economy which regulates everything down to the most basic operations in production and distribution. The culmination of this principle was the issuance of the Two-Year Plan for 1949-50. The demands of the occupying power are not only an integral part of the plan, but receive priority in every respect.

The Soviet occupying power does not take into account in all its planning regulations the close interrelationship and interdependence of the various branches of German industry. Of no branch of industry is this true to a greater degree than of the chemical industry, one of whose most important centers lies in Soviet-occupied Central Germany. Particularly affected is the production of basic chemicals, which is based to a large extent on the brown coal of Central Germany.

The chemical industry was particularly hard hit by dismantlings after 1945. More than 80 percent of the soda industry, about 60 percent, of the sulfuric acid plants, and about the same percentage of the nitrogen plants were dismantled. In addition, the production of sulfuric acid, the only important basic chemical of which the Soviet Zone in normal times produced only a relatively small percentage (only about 20 percent of German total production), is now probably only about one third of the prewar production. The reason why, in spite of this, considerable quantities of sulfuric acid are being offered for sale to Western Germany, is probably the fact that the amounts of SO_3 which were planned for the production of superphosphate became surplus because the phosphates were not available. This must be regarded as only a temporary situation, because production in the Soviet Zone does not even cover requirements. The effects are felt, as in the case of the shortage of carbon disulfide, primarily by the textile industry. Also, in the fall of 1948, the shortage of caustic soda caused considerable setbacks in the manufacture of artificial fibers. The large caustic soda plant in Bernburg, the Solvay plant, was dismantled. The production of calcium carbide has also been considerably reduced;

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for example, the quarterly production planned for 1947, 11,000 tons, could not be attained, although in 1941, 26,000 tons were produced per quarter. The inadequate production of methanol limits the production of formaldehyde and consequently the production of a number of plastics. In 1947 the Soviet Zone capacity for a number of important chemicals, which in general was very much reduced in comparison with that of the prewar period, was utilized only about one half, or at most two thirds.

Along with the centralization of the administration, the elimination of private ownership has been pushed at an ever-increasing tempo, starting in 1945. All the plants which formerly belonged to I. G. Farben and all plants which were concerned with the hydrogenation of brown coal have become Soviet corporations and are operating under new designations. The Soviet corporations generally group several plants together (for example, in the roofing paper industry). The following should be mentioned as particularly important Soviet corporations in the chemical industry:

<u>Corporation</u>	<u>Basic Capital</u> (million rubles)
Mineralny Udobreniya (mineral fertilizers) (= Leuna-Werke)	400
Photoplenka (= Agfa Wolfen, film factory)	200
Kaustik (= I. G. Farben, Bitterfeld)	210
Kraska (= Agfa Wolfen, dye factory)	120
Plastik	30
Zelluloid (= I. G. Farben, Eilenburg, and Piesteritz Nitrogen Plant)	unknown

The potash fertilizer industry is combined into three Soviet corporations, Kali (Potash), Kainit, and Silvinit, which have a combined basic capital of 320 million rubles. The Soviet corporation Kautschuk (Rubber), which consists principally of the I. G. Farben plant in Schkopau, has a capital of 520 million rubles. (All figures in rubles refer to the period before the Soviet currency reform.)

According to the production plan, Soviet corporations in the chemical industry were to produce a total of 94 million Reichsmarks' worth of products during the second quarter of 1947, compared with a total production of 218 million Reichsmarks' worth in the entire Soviet Zone.

The administration of the people-owned enterprises was first handled by the Laender. Now most of them are grouped into about 80 "Federation of People-Owned Enterprises." In the chemical industry a total of ten zonal federations of people-owned enterprises was created, including potash mining. They comprise 162 plants with about 32,000 workers and a total production valued at about 300 million Reichsmarks per year. Thus, the expropriated chemical plants which are under German zonal administration represent a complex of considerable size, although in comparison with the Soviet corporations it is of modest proportions.

<u>Federation</u>	<u>Principal Products</u>	<u>No of Plants</u>
Inorganic Chemistry	Sulfuric acid, hydrochloric acid, soda, chlorine, potash, alkalies, phosphorus, fluorine compounds	17

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<u>Federation</u>	<u>Principal Products</u>	<u>No of Plants</u>
Organic Chemistry	Solvents, glycerine, organic dyes, saccharine, tanning agents, explosives, igniters	7
Potash mining, pyrites, fluorspar	Potash and rock salt, pyrites, fluorspar	17
Carbon Products	Paraffine, candles, montan wax, special and test benzine [turpentine substitute], distillation products	17
Industrial Gases and Carbide	Industrial gases and carbide	15
Plastics and Processing of Plastics	Plastics and plastic products	10
Paints and Lacquers	Paints and lacquers, inorganic pigments	28
Soaps, Detergents, and Cosmetics	Soaps, detergents, cosmetics, chemicals used in the textile and leather industries	14
Pharmacy	Pharmaceutical preparations	11
Commercial Chemical Products	Insecticides, photographic chemicals, glue and gelatine, shoe polish, floor wax, perfume and essences	26
Total		162

Following are approximate percentage shares in the total industrial production for summer 1949 (by value):

People-owned enterprises	42 percent
quasi-governmental enterprises	8 "
Soviet corporations	25 "
Private enterprises	25 "

In contrast, the chemical industry shows quite different proportions:

People-owned enterprises	20 percent
Soviet corporations	60 "
Private enterprises	20 "

In normal times the same chemical product was produced in both Western Germany and Central Germany but in different qualities. Now, the Soviet Zone shows a great lack of certain high-grade products, even though it can produce the materials in fairly considerable quantity. Products in short supply, which up to the blockade were or could have been imported in whole or in part from the West, include the following (according to the 1948 import plan):

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Hydrochloric acid, nitric acid, acetic acid, citric acid (which can, however, be imported from Poland, Czechoslovakia, and Hungary), fatty acids, acetone, boric acid, potash, sodium bicarbonate, Barium carbonate, bichromate [sic], potassium permanganate, caustic potash, salicylic acid, xylol, toluol, copper sulfate, lamp-black and acetylene black, photographic chemicals, basic products for production of color film, tri-sodium phosphate for boiler feed water, isopropyl alcohol, softeners, vulkazit, urea for plastics industry, oppanol (Vistanex), plexiglass, gelatine, tanning agents, insecticides, glycerine, and aniline

It would be possible for the Soviet Zone to produce its own phosphoric acid, provided a sufficient quantity of phosphates could be imported.

The pharmaceutical industry lacks iodine, phenacetin, salicylic acid, caffeine, salvarsan, and sulfonamides.

A large part of the equipment for the chemical industry was always imported from Western Germany. Therefore, there is now a shortage in the Soviet Zone and in the Eastern Sector of Berlin, not only of new means of production but also of spare parts and repair materials. For this reason, capacity frequently could not be completely utilized. Also, the completion of the sulfuric acid installations now under construction is impeded.

In this connection, it must be pointed out that the Soviet Zone is doing everything possible to eliminate these bottlenecks. Every effort is being made to obtain the urgently needed materials from the West, particularly the "essential" products which have to be imported from the Ruhr region.

In 1948, the movement of goods was centralized with the founding of the German Trading Company of Berlin (DEG). This organization developed into a colossus employing 10,000 persons, with special accounts, local branches, etc. Since this bureaucratization hindered the exchange of goods excessively, the DEG subsequently was broken up into Trade Centers. However, the complete elimination of private trading, which at first appeared to be the aim, has not taken place, not even in the chemical industry. Prices are based on 1944 prices and held to this level, regardless of production costs. This has been made possible only by standardizing the prices of the people-owned enterprises and covering the gaps from public funds. This practice has made it possible to "dump" many chemical products, in Western Germany as well as in Western Berlin.

The use of the political price to increase sales to the West is probably due, aside from the simple consideration of the foreign exchange situation, to the necessity of compensating for the poor quality of Eastern Zone products. Even if not all products have been affected, in many plants the Hennecke method and the personnel policy based on political considerations have had very unfavorable results even on production technology.

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